GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:188
ANSWERED ON:03.12.2003
CHANGES IN THE LICENSING SYSTEM
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government have effected changes in licensing system in respect of cellular phone operators many times during the last few years;

(b) if so, the details and the reasons for making these changes; and

(c) the benefits accrued/likely to accrue to consumers, Government and operators following these changes?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI A PRADHAN)

(a) to (c): Sir, certain amendments have been made in the Licences for Cellular Mobile Telephone service (CMTS).The details of salient amendments made are given in the Annexure. These changes have been made as a result of informed and institutionalized decision in best public interest making pragmatic adjustments warranted by ground realities in relation to the telecom industry.

As a result of these changes there has been phenomenal growth in the telecom sector. Today more than 19.3 million subscribers are being served by the cellular service operators across the length and breadth of the country. The last two years have seen an annual growth rate of the order of 80%-100% in cellular services. Initially, the call charges for Cellular Phones used to be upto Rs. 16.80/- minute which have now been reduced in general to the order of Rs. 1.80/ minute. This steep fall in tariffs has made CMTS affordable even for the low income group of our country. Thus subscribers have benefited on many counts such as easy availability of telephones, reduced tariff, availability of various value added services/ features and facilities on telephone instrument, choice to the consumer for selecting an operator, etc., thereby making consumer a winner, which is the ultimate goal of the policy. The Government as well as operators have also benefited due to fast growth in the Cellular Service Sector.

ANNEXURE
SALIENT AMENDMENTS IN THE CMTS LICENCE AGREEMENTS;

Sl. No.	Date Of effect	Item	Amendment
1.	23.10.1997	Transfer of Licence	The written consent for transfer or assignment will be granted as per terms and conditions of the tri-partite agreement if duly executed amongst Licensor, Licensee and Lenders.
2.	23.10.1997	Commercial Borrowing	This limitation applies to both short term and long term International financing, provided the said condition shall stand modified in accordance with the guidelines issued on the subject from time to time by the Ministry of Finance. Restrictions imposed by RBI/Securities and Exchange Board of India/ Finance Ministry shall be complied by Licensee.
3.	15.01.1999	Delivery of Service	Any town within the District other than DHQ may be covered in lieu of DHQ.
4.	1.8.1999 (offer made on 22.7.1999	Migration Package	(a) The licence period was extended from 10 years to 20 years. (b) Change from duopoly to multipoly regime with effect from 1.8.1999 i.e. the Licensees surrendered their right to operate in a duopoly regime (of only two private operators) with the condition that any number of additional private operators can be inducted). (c) Change from fixed licence fee as committed at the time of grant of licences to licence fee as percentage of revenue earned. Revenue Sharing Regime i.e. of 15% of Adjusted Gross Revenue 'AGR' on provisional basis with effect from

1.8.1999.
(d) Notional extension of effective date by six months in the case of Circle Operators.
(e) Migration Package is deemed as a full an final settlement of all disputes whatsoever, upto the cut-off date of migration irrespective of whether they are related with the Migration Package or not.

5. 5.10.1999 Applicable By an Order dated 1.10.1999 the Cellular License was made Systems technology- neutral; earlier to this it was mandatory for the Licensees to use Global System of Mobile Communications (GSM) technology

6. 29.1.2001 Migration to

(i) FBG of an amount equal to estimated dues of licence Revenue Sharing fee for two quarters valid for minimum one year in place of fixed FBG.

(ii) Circle Licences who cover 50% of DHQs, permitted to reduce value of PBG by 50% of applicable PBG as per Service Area. No change in case of Metro licences except PBG shall be valid for one year, instead of fixed PBG.

(iii) Sharing of Infrastructure permitted between one Service Provider and other Service Providers in their Areas of Operations subject to prescribed conditions.

(iv) Interconnectivity between Licensees' network and network of any licensed Service Provider (including CMSP) in the same Service Area permitted.

7 25.9.2001 Migration to

(i) Licence fee payable was made 12%, 10%, 8% of 'Adjusted Revenue Sharing Gross Revenue' for Category 'A', 'B' ad 'C' Service Areas respectively with effect from 25.1.2001 subject to prescribed conditions.

(ii) Spectrum charges on revenue sharing basis of 2% of AGR towards WPC charges covering royalty payment upto 4.4 MHz-4.4 MHz . For additional bandwith 1% additional revenue share for bandwith allocated upto 6.6 MHz-6.6MHz.

(iii) Transfer or assignment of licence is permitted whenever merger of two Licensee companies is approved by a High Court but no compromise in competition occurs in the provision of Telecom Service.

8. 1.2.2002 Additional

(i) Additional spectrum upto 1.8 MHz+ 1.8 MHz to be Cellular Radio assigned to CMTS operators after a customer base of 5 lakhs Frequency or more. Beyond already allocated 6.2 MHz+ 6.2 MHz, the additional spectrum of 1.8 MHz+1.8 MHz would be assigned in 1800 MHz band.

(ii) Spectrum Charges shall be on revenue share basis @ 2% of AGR for spectrum upto 4.4 MHz+ 4.4 MHz, 3% for 6.6 MHz + 6.6 MHz and 4% beyond 6.6 MHz.

9. 12.08.2002 Security Security Clauses as applicable in the case of Licenses conditions granted in 2001 which are more updated, are made applicable to the old licences granted for metro cities and circles in the year 1994 and 1995.

10. 11.10.2002 Schedule of

(i) Quarterly licence fee payable within 15 days of the payment of relevant quarter in place of Annual Licence fees paid Licence Fee quarterly in advance.

(ii) After first year of licence in case of 4th Cellular Operator, the amount of FBG shall be reduced to 10% of their initial value.

(iii) Performance Bank Guarantee on completion of roll-out obligation shall be reduced to a level of 25% of their original value.

11. 20.11.2002 Schedule of Licence fee for first three quarters of financial year payment of shall be paid within 15 days of the completion of the Licence Fee relevant quarter. For the last quarter licence fee shall be

paid by 25th March on the basis of expected revenue for the quarter.

12. 02.06.2003 Transfer of Licence — Transfer/assignment of Licence permitted at any point of time subject to certain conditions.